

**R E M A R K S**

Claims **1-66** are pending.

Claims **1, 50, 54, and 59-66** are independent.

**Section 101 Rejections**

Claims **1 - 59** stand rejected as being non-statutory. We traverse the Examiner's Section 101 rejection.

The Examiner has used an improper standard in rejecting the claims, and has failed to use the proper legal standard for determining compliance with 35 U.S.C. § 101.

The claims are rejected for not being "within the technological arts". Since there is no technological arts requirement, this rejection is improper. See, e.g., Ex parte Lundgren, Appeal No. 2003-2088 (BPAI 2005).

The legal test for the presence of statutory subject matter is only that a claimed process or apparatus produce a "useful, concrete and tangible result". See, e.g., State Street Bank & Trust Co. v. Signature Fin. Group, Inc., 149 F.3d 1368, 1375, 47 U.S.P.Q.2D 1596 (Fed. Cir. 1998), cert. denied, 525 U.S. 1093, 142 L. Ed. 2d 704, 119 S. Ct. 851 (1999)

The claims produce a useful, concrete and tangible result, as described in the present application. For example, claim **1** recites a useful, concrete and tangible result of transmitting, across a computer network to the bidder, an indication that the bidder is qualified to receive the reward. The remaining claims produce similarly useful, concrete and tangible results. Therefore, the claims are necessarily statutory.

### Section 102 Rejections

Claims **50, 59 and 64 -66** stand rejected as anticipated by Walker (U.S. Patent No. 6,108,639). We traverse the Examiner's Section 102 rejection. There has been no *prima facie* showing that the claims are anticipated are even obvious.

Independent Claims **50, 59 and 64 – 66** - *penalty received / determined before auction closes*

Claim **50** is a method claim. Claim **64** is a means-plus function claim corresponding to claim **50**. Claim **65** is an apparatus claim corresponding to claim **50**. Claim **66** is a computer-readable medium claim corresponding to claim **50**.

Independent claims **50 and 64 – 66** generally recite:

*determining before the auction closes, based on a penalty rule, whether the bidder is to receive a penalty*

Independent claim **59** generally recites:

*receiving, before the auction session closes, a penalty in response to the bid.*

Neither of these limitations is suggested by any of the references of record, either alone or in combination.

The Examiner contends on page 21 of the Office Action that in Walker "the penalty is implemented before the close of the auction since the transaction is still being processed during step 1008". Whether or not this is true, this has no bearing on either limitation discussed above. Step 1008 does not involve in any way either *determining whether the bidder is to receive a penalty* or *receiving a penalty*.

Similarly, the Examiner contends on page 21 of the Office Action that in Walker "the penalty is applied once the CPO is accepted by a seller, not once the customer is bind [sic] to a purchase".

## REQUEST FOR CLARIFICATION

We request that the Examiner clarify not only the interpretation of Walker but specifically which portions of Walker (at step 1008 or otherwise) are believed to involve a penalty.

Similarly, the Examiner contends on page 22 of the Office Action that col. 18, lines 3 - 19 (i.e. claim 29) of Walker discloses or suggests that "once a customer accepts the CPO, the auction is still active until it is determined that the item satisfies a description and once this happens, then the customer is bind [sic] to purchase the item".

The basis for this interpretation is unclear. Claim 29 of Walker does not refer to auctions, when auctions are "active" or when an auction becomes "inactive". However, as best as we understand the ambiguous basis for the Examiner's interpretation, the Examiner appears to be arguing that an auction, by definition, can close only after it is determined whether there should be a penalty. If this is true, then that interpretation is certainly contrary to the presently claimed embodiments, which clearly do not adopt this definition.

## REQUEST FOR CLARIFICATION

We request that the Examiner clarify not only the interpretation of Walker but specifically which portions of Walker (at col. 18, lines 3 - 19 or otherwise) are believed to involve when an auction closes or when an auction is "active".

Claim Limitations Not Disclosed or Suggested

The Examiner incorrectly asserts on page 6 of the Office Action that these limitations are disclosed by Walker at Col. 16, lines 5-12, ("identifying one or more rules") and Col. 10, lines 10-15, ("buyer charged a fee or penalty"). In fact, neither Walker nor any other references of record suggests these limitations.

Col. 16, lines 5 - 12 disclose the following portion of claim 8 of Walker:

"identifying one or more rules from at least one potential seller of said secondary market item, each of said rules containing one or more seller-defined restrictions;

comparing said purchase offer to said rules to determine whether an accepting seller is willing to accept said purchase offer if said customer-defined condition satisfies said seller-defined restrictions of at least one of said rules;"

This portion of Walker has nothing to do with penalties. This portion of Walker generally involves rules used in determining whether a seller will accept a customer's purchase offer. The remainder of claim 8 of Walker has nothing to do with penalties.

Col. 10, lines 10 - 15 of Walker disclose the following:

"It is noted that if the buyer ultimately fails to purchase the requested item once the CPO is accepted by a seller, the buyer can be charged a fee or a penalty. In this manner, the offer is guaranteed with a general purpose account, for example, using a line of credit on a credit card account."

This portion of Walker clearly does not suggest *determining before the auction closes whether the bidder is to receive a penalty*. Likewise, this portion of Walker clearly does not suggest *receiving a penalty before the auction session closes*. On the contrary, this portion of Walker is merely the condition that, after a bidder wins an auction, the bidder must pay for what was won or else the bidder is penalized. Accordingly, the Walker system cannot determine before the auction closes whether the bidder is to receive a penalty.

This deficiency in Walker was discussed previously. See, e.g., Appeal Brief mailed February 17, 2004, Section 2.3.1. The Office Action does not address this argument, and does not provide any interpretation of the cited portions of Walker.

In an attempt to fit Walker to the present claims, the Examiner had previously contorted Walker to suggest that the auction is not closed "because the buyer has not yet made the purchase". In other words, even after a bidder wins an 'auction' " (if Walker can be said to disclose an auction at all), the auction never closes if the bidder reneges and does not pay for the item.

This interpretation of Walker is not supported by the record. There is nothing in Walker or in any other record of the prior art that discloses or suggests that an auction never closes if the winning bidder does not pay. Similarly, there is nothing in Walker or any other record of the prior art which discloses or suggests that auctions close at a time other than when a winner is chosen.

Further, the only description of a penalty in Walker is at col. 10, lines 10 – 13. That portion of Walker states that "the buyer can be charged a penalty" if the buyer does not ultimately purchase the requested item once the CPO is accepted by a seller. This portion of Walker shows that it is the seller, not the buyer, who accepts. This portion also shows that the penalty in Walker is not "determined before the auction closes." The 'auction' cannot be considered open once the buyer is already bound to purchase the 'auctioned' item, and incidentally no other bids are permitted.

**Section 103(a) Rejections**

Claims **1 - 49, 51 - 58, 60 - 63** are rejected as being unpatentable over a combination of Walker and Franchi (U.S. Patent No. 5,770,533). We traverse the Examiner's Section 103(a) rejection. There has been no *prima facie* showing that the claims are obvious.

**The Independent Claims**

Independent claims **1, 54 and 60 -63** are included in the rejection under Section 103(a).

Claim **1** is a method claim. Claim **61** is a means-plus function claim corresponding to claim **1**. Claim **62** is an apparatus claim corresponding to claim **1**. Claim **63** is a computer-readable medium claim corresponding to claim **1**.

Claim **1 and 61 - 63** recites:

*determining, based on a reward rule, whether the bidder is qualified to receive a reward other than the product,*

*and if the bidder is qualified*

*transmitting, to the bidder, an indication that the bidder is qualified to receive the reward*

Claim **54** similarly recites:

*receiving a reward other than the product in response to the bid*

Claim **60** similarly recites:

*notifying a bidder that the bidder is qualified to receive a reward other than the product*

Claim Limitations Not Disclosed or Suggested

All claims rejected under Section 103(a) generally require that a *bidder may receive a reward other than the product*. There has been no showing that the references suggest any such feature.

The Examiner agrees that these limitations are not disclosed by Walker.

However, the Examiner asserts that

- (i) Franchi discloses receiving a reward other than the product,
- (ii) Franchi is in an analogous art, and
- (iii) it would have been obvious to combine Franchi with Walker in a manner that renders the claims obvious. (this third assertion is not made explicit but is inferable since the rejection is purportedly based on the combination of Walker and Franchi)

Franchi does not suggest "a reward other than the product subject to bidding"

Franchi does not even suggest that a bidder in an auction session may receive a reward other than a product. Franchi is directed to a casino operating system for controlling the flow of funds and monitoring gambling activities in a casino or a gaming establishment. Abstract of Franchi.

The portion of Franchi relied upon in the rejection is part of claim 41:

"41. The casino operating system according to claim 39, wherein said player console further notifies the player when the player wins a door prize randomly awarded by said central computer."

Another portion of Franchi that was not cited by the Examiner also discusses a "door prize". Franchi, col. 8, lines 18 - 22 discloses:

"Optional features that may be provided on the player console [of a slot machine] include:

an indication signal located on the control panel [of the player console] to indicate that the player has won a random door price [sic] offered by the casino as a perk to frequent gamblers."

In summary, both these portions of Franchi disclose little more than the random awarding of prizes to a gambler.

Franchi has nothing to do with auctions or even bidding. Using this completely dissimilar system, the Examiner's argument is essentially that:

- (a) Franchi involves neither a bid nor an auction,
- (b) Franchi discloses a randomly awarded prize
- (c) since this prize is not being bid upon in an auction, it is "a reward other than the product [subject to bidding during an auction session]"

However, the flaw in this argument is that Franchi has nothing to do with auctions or even bidding, so there is no *product which is subject to bidding during an auction session*. Thus, Franchi cannot disclose *a reward other than the product subject to bidding*.



Non-analogous art

In order to rely on a reference as a basis for rejection of the applicant's invention, the reference must either be in the field of the applicant's endeavor or, if not, then be reasonably pertinent to the particular problem with which the inventor was concerned. In re Oetiker, 977 F.2d 1443, 1447 (Fed. Cir. 1992).

Franchi has nothing to do with auctions or even bidding, and is non-analogous.

The Examiner contends that:

"Franchi discloses this limitation [Receive a reward other than the product] in an analogous art for the purpose of showing that participants who place bets can receive an award as an incentive to continue participating."

First, there is no showing that Franchi is analogous. It has nothing to do with the field of Applicants' endeavor, and it is not reasonably pertinent to the particular problem with which the inventors were concerned. There no evidence otherwise.

The Examiner has not provided any evidence relating to the problem, nor why Franchi is pertinent to the problem. The Examiner has not provided any evidence relating to the field of endeavor, nor why Franchi is in the field of endeavor.

Second, Franchi does not provide an award " as an incentive to continue participating". It is a "perk" which is awarded to frequent gamblers. Such gamblers need not continue participating, or continue participating at any rate of play, to receive such an award. There is no evidence otherwise.

The Examiner apparently contends on page 22 of the Office Action that Franchi may be considered analogous because it involves products (which the Examiner interprets as embracing Franchi's "ability to play a gambling game") and rewards (which the Examiner interprets as embracing Franchi's updating a credit balance). Clearly, this tenuous "relationship" has nothing to do with the legal basis for a finding that references are analogous, discussed above.

## REQUEST FOR CLARIFICATION

We request that the Examiner clarify whether, under the Examiner's interpretation of Walker, Franchi is (1) in the field of the applicant's endeavor, and if so, why, or, (2) reasonably pertinent to the particular problem with which the inventor was concerned, and if so why.

No Motivation to Modify

Obviousness can only be established by combining or modifying the teachings of the prior art to produce the claimed invention where there is some teaching, suggestion, or motivation to do so found either in the references themselves or in the knowledge generally available to one of ordinary skill in the art. In re Fine, 5 USPQ2d 1596 (Fed. Cir. 1988); In re Jones, 21 USPQ2d 1941 (Fed. Cir. 1992). Furthermore, **particular findings must be made** as to the reason the skilled artisan, with no knowledge of the claimed invention, would have selected these components for combination in the manner claimed. In re Kotzab, 217 F.3d 1365, 1371, 55 U.S.P.Q.2d 1313, 1317 (Fed. Cir. 2000) (emphasis added).

The following motivation to modify and combine Walker and Franchi has been proposed on page 8 of the Office Action:

"It would have been obvious to one of ordinary skill in the art at the time of the applicant's invention to receive a reward other than the product with the motivation of incenting bidders to continue bidding."

This statement is generally an allegation that the modification would have been beneficial. However, a motivation to modify only exists where the prior art teaches such a benefit. There is not even an allegation that the prior art demonstrates

the desirability of combining or modifying the references. Similarly, there is not even an allegation that the prior art demonstrates the desirability of solving the problems solved by the claimed inventions. No evidence to the contrary exists in the record.

There simply is no motivation in the prior art of record to modify or combine the references in the manner proposed by the Examiner, or in any other manner that renders the claims obvious.

The Examiner argues on pages 22 - 23 of the Office Action that the motivation to combine the references is that both involve "the implementation of conditional offers in determining a reward". AN overlap or areas of common subject matter is not a motivation for one of ordinary skill in the art to combine particular teachings, so clearly this factual basis (even if true) would not constitute a motivation to combine the references in the manner the Examiner proposes.

### REQUEST FOR CLARIFICATION

We request that the Examiner clarify what portions of Franchi can be considered a "conditional offer" and why.

#### Level of Skill

A factual predicate underlying an obviousness determination is the level of ordinary skill in the art. In re Rouffet, 149 F.3d 1350, 1355 (Fed. Cir. 1998). The skill level is one component of the inquiry for a suggestion to combine. In re Rouffet, 149 F.3d 1350, 1359 (Fed. Cir. 1998).

Lacking a motivation to combine, there is no prima facie case of obviousness. In re Rouffet, 149 F.3d 1350, 1358 (Fed. Cir. 1998). If examination at the initial

stage does not produce a prima facie case of unpatentability, then without more the applicant is entitled to grant of the patent. In re Oetiker, 977 F.2d 1443, 1445 (Fed. Cir. 1992).

Though required to do so, the Examiner has not set forth any evidence relating to the level of ordinary skill in the art, and has not even alleged what the level of skill in the art would be. The rejection fails for at least this reason.

Based on the present record, one could only conclude that the level of skill is low. No reference cited by the Examiner even addresses any problems that are addressed by the present inventions.

Accordingly, a prima facie case of obviousness has not been made for at least these reasons.

**Conclusion**

For the foregoing reasons it is submitted that all of the claims are now in condition for allowance and the Examiner's early re-examination and reconsideration are respectfully requested.

Alternatively, if there remains any question regarding the present application or any of the cited references, or if the Examiner has any further suggestions for expediting allowance of the present application, the Examiner is cordially requested to contact Dean Alderucci at telephone number 203-461-7337 or via electronic mail at Alderucci@WalkerDigital.com.

Respectfully submitted,



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